

WASILLA AREA SENIORS, INC.

**Financial Statements and Additional Information
(With Independent Auditors' Report Thereon)**

Years Ended June 30, 2011 and 2010

*Altman, Rogers
& Co.* | CERTIFIED
PUBLIC
ACCOUNTANTS

Wasilla Area Seniors, Inc.

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Independent Auditors' Report

Members of the Board of Directors
Wasilla Area Seniors, Inc.
Wasilla, Alaska

Ladies and Gentlemen:

We have audited the accompanying statements of financial position of Wasilla Area Seniors, Inc. (a nonprofit organization) as of June 30, 2011 and 2010 and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of Wasilla Area Seniors, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Wasilla Area Seniors, Inc.'s internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wasilla Area Seniors, Inc. as of June 30, 2011 and 2010 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of Wasilla Area Seniors, Inc. taken as a whole. The information listed in the table of contents as "Additional Information" is presented for purposes of additional analysis, and is not a required part of the basic financial statements of Wasilla Area Seniors, Inc. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Altman, Rogers & Co.

January 9, 2012

WASILLA AREA SENIORS, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 155,982	211,414
Grants and Medicaid Receivable	75,113	9,964
Accounts Receivable	4,757	30,159
Inventory	<u>2,999</u>	<u>12,860</u>
TOTAL CURRENT ASSETS	<u>238,851</u>	<u>264,397</u>
PROPERTY AND EQUIPMENT		
Building & Grounds	1,273,393	1,266,267
Equipment	743,420	740,392
Vehicles	<u>198,236</u>	<u>198,236</u>
	2,215,049	2,204,895
LESS ACCUMULATED DEPRECIATION	<u>(954,376)</u>	<u>(801,594)</u>
PROPERTY AND EQUIPMENT - NET	<u>1,260,673</u>	<u>1,403,301</u>
INVESTMENTS	277,286	277,334
RELATED PARTY RECEIVABLE NET OF ALLOWANCE		
(\$53,900 for 2011 and \$53,900 for 2010)	53,340	108,996
NOTES RECEIVABLE	3,245,547	3,245,547
ACCRUED INTEREST RECEIVABLE	<u>674,558</u>	<u>598,570</u>
TOTAL ASSETS	\$ <u><u>5,750,255</u></u>	\$ <u><u>5,898,145</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
Accounts Payable	26,802	15,587
Accrued Vacation	16,992	13,553
Payroll Liabilities	27,872	19,173
Current Portion of Long-Term Debt	<u>6,738</u>	<u>6,458</u>
TOTAL CURRENT LIABILITIES	78,404	54,771
NOTE PAYABLE - USDA	<u>254,536</u>	<u>261,274</u>
TOTAL LIABILITIES	<u>332,940</u>	<u>316,045</u>
NET ASSETS		
Unrestricted Net Assets		
Undesignated	2,041,049	2,205,834
Board Designated-Endowment	102,114	102,114
Board Designated-Operating Reserve	28,605	28,605
Board Designated-Long-Term Notes	<u>3,245,547</u>	<u>3,245,547</u>
TOTAL NET ASSETS	<u>5,417,315</u>	<u>5,582,100</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u><u>5,750,255</u></u>	\$ <u><u>5,898,145</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

WASILLA AREA SENIORS, INC.

STATEMENTS OF ACTIVITIES, Page 1 of 2

YEARS ENDED JUNE 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
CHANGES IN UNRESTRICTED NET ASSETS		
From Operating Activities		
Support		
Government	\$ 297,952	\$ 951,723
Foundations	39,055	12,601
Corporations and Individuals	42,121	53,590
Net Assets Released From Restrictions	-	14,000
SUBTOTAL - SUPPORT	<u>379,128</u>	<u>1,031,914</u>
Revenue		
Program Revenues	742,604	726,379
Raffles and Bingo, net	61,538	36,841
Senior Housing Labor Reimbursement	71,221	125,232
Senior Housing Operating Fees	81,381	83,887
Rental Income	12,706	9,220
Miscellaneous	5,945	3,108
SUBTOTAL - REVENUE	<u>975,395</u>	<u>984,667</u>
TOTAL SUPPORT AND REVENUE	<u>1,354,523</u>	<u>2,016,581</u>
Expenses		
Program Services	947,882	699,751
Supporting services		
Fundraising	58,895	51,701
General and Administrative	577,628	615,967
TOTAL EXPENSE	<u>1,584,405</u>	<u>1,367,419</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS FROM OPERATING ACTIVITIES	\$ <u>(229,882)</u>	\$ <u>649,162</u>

(Continued)

WASILLA AREA SENIORS, INC.
 STATEMENTS OF ACTIVITIES, Page 2 of 2
 YEARS ENDED JUNE 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
CHANGES IN UNRESTRICTED NET ASSETS, CONTINUED		
From Non -Operating Activities:		
Interest and Investment Earnings	76,351	77,337
Gain (Loss) on Partnership Investments	-	(57)
Interest Expense	<u>(11,254)</u>	<u>(11,522)</u>
SUBTOTAL NON- OPERATING ACTIVITIES	<u>65,097</u>	<u>65,758</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	<u>(164,785)</u>	<u>714,920</u>
CHANGES IN TEMPORARILY RESTRICTED ASSETS		
United Way Services Released From Restrictions	<u>-</u>	<u>(14,000)</u>
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	<u>-</u>	<u>(14,000)</u>
INCREASE (DECREASE) IN NET ASSETS	(164,785)	700,920
NET ASSETS, BEGINNING OF YEAR	<u>5,582,100</u>	<u>4,881,180</u>
NET ASSETS, END OF YEAR \$	<u><u>5,417,315</u></u>	<u><u>\$ 5,582,100</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

WASILLA AREA SENIORS, INC.
 STATEMENTS OF FUNCTIONAL EXPENSES, PAGE 1 OF 2
 YEARS ENDED JUNE 30, 2011 AND 2010

2011

	TITLE III/V AOA/USDA	CHOICE	ASSISTED LIVING	SENIOR ACTIVITIES	TOTAL PROGRAM	SUPPORTING SERVICES			TOTALS
						FUNDRAISING	ADMINISTRATIVE	GENERAL and	
EXPENSES:									
Personnel	\$ 146,709	62,851	326,998	81,617	\$ 618,175	\$	38,113	\$ 338,322	\$ 994,610
Vehicle	1,000	10,078	347	1,888	13,313	-	-	5,031	18,344
Facilities	6,455	831	54,867	3,947	66,100	2,504	2,504	1,892	70,496
Supplies	96,286	46,827	11,471	2,790	157,374	10,761	10,761	5,946	174,081
Office	10	-	175	382	567	19	19	5,451	6,037
Utilities & Telephone	21,098	3,917	6,618	3,934	35,567	342	342	1,332	37,241
Insurance	1,040	1,028	1,040	1,052	4,160	12	12	12,153	16,325
Travel	64	1,439	-	122	1,625	107	107	151	1,883
Professional Fees	10,562	4,130	5,323	6,156	26,171	2,458	2,458	17,943	46,572
Equipment	2,609	1,524	3,605	1,871	9,609	-	-	3,501	13,110
Other	4,507	2,468	1,981	6,265	15,221	4,579	4,579	28,130	47,930
Depreciation	-	-	-	-	-	-	-	157,776	157,776
TOTAL OPERATING EXPENSES	290,340	135,093	412,425	110,024	947,882	58,895	58,895	577,628	1,584,405
Interest	-	-	-	-	-	-	-	11,254	11,254
TOTAL EXPENSES	\$ 290,340	\$ 135,093	\$ 412,425	\$ 110,024	\$ 947,882	\$ 58,895	\$ 58,895	\$ 588,882	\$ 1,595,659

(CONTINUED)

WASILLA AREA SENIORS, INC.
 STATEMENTS OF FUNCTIONAL EXPENSES, PAGE 2 OF 2
 YEARS ENDED JUNE 30, 2011 AND 2010

2010

	TITLE III/V AOA/USDA	SUPPORTING SERVICES						TOTAL	TOTAL PROGRAM	TOTALS
		CHOICE	ASSISTED LIVING	SENIOR ACTIVITIES	FUNDRAISING	GENERAL and ADMINISTRATIVE				
EXPENSES	\$	79,006	\$ 39,087	\$ 305,447	\$ 14,173	\$ 437,713	\$	437,713	\$ 374,914	\$ 852,888
Personnel	3,708	10,167	724	-	14,599			14,599	1,655	16,322
Vehicle	18,251	8,437	16,097	3,178	45,963			45,963	9,693	56,634
Facilities	87,177	10,035	9,959	2,373	109,544			109,544	8,447	123,652
Supplies	1,232	182	1,490	106	3,010			3,010	2,813	5,973
Office	7,224	3,645	11,785	13,195	35,849			35,849	17,219	54,971
Utilities & Telephone	-	-	610	1,272	1,882			1,882	26,861	29,243
Insurance	360	29	-	102	491			491	161	652
Travel	29,350	-	675	3,196	33,221			33,221	36,936	70,380
Professional Fees	-	-	-	5,007	5,007			5,007	15,022	20,029
Equipment	1,613	1,236	5,238	4,385	12,472			12,472	8,122	22,551
Other	-	-	-	-	-			-	53,900	53,900
Bad Debt	-	-	-	-	-			-	60,224	60,224
Depreciation	-	-	-	-	-			-	-	-
TOTAL OPERATING EXPENSES	227,921	72,818	352,025	46,987	699,751			699,751	615,967	1,367,419
Interest	-	-	-	-	-			-	11,522	11,522
TOTAL EXPENSES	\$ 227,921	\$ 72,818	\$ 352,025	\$ 46,987	\$ 699,751			\$ 699,751	\$ 627,489	\$ 1,378,941

See Notes to Financial Statements.

WASILLA AREA SENIORS, INC.

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2011 and 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) In Net Assets	\$ (164,785)	\$ 700,920
Adjustments To Reconcile Change In Net Assets		
To Net Cash Provided By Operating Activities:		
(Gain) or Loss on Investments	48	-
(Gain) or Loss on Partnerships	-	57
Depreciation	157,776	60,224
Bad Debt Expense	-	53,900
(Increase) Decrease In Operating Assets		
Grants Receivable	(65,149)	33,565
Accounts Receivable	25,402	(29,644)
Inventory	9,861	4,026
Increase (Decrease) In Operating Liabilities		
Accounts Payable	11,215	(1,256)
Payroll Liabilities and Accrued Vacation	12,138	7,679
NET CASH PROVIDED BY OPERATING ACTIVITIES	(13,494)	829,471
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments on Related Party Receivable	55,656	29,530
Accrued Interest Receivable	(75,988)	(76,231)
Contribution Of Additional Contributed Capital to Partnerships	-	(100,000)
Payments for Property & Equipment	(15,148)	(605,294)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(35,480)	(751,995)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Long-term Debt	(6,458)	(6,190)
NET INCREASE IN CASH		
AND CASH EQUIVALENTS	(55,432)	71,286
BEGINNING CASH AND CASH EQUIVALENTS	211,414	140,128
ENDING CASH AND CASH EQUIVALENTS	\$ 155,982	\$ 211,414
SUPPLEMENTAL DISCLOSURE:		
Cash Paid for Interest Expense	\$ 11,254	\$ 11,522

SEE NOTES TO FINANCIAL STATEMENTS

Wasilla Area Seniors, Inc.

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2011 and 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities – Wasilla Area Seniors, Inc. (WASI) is a non-profit organization formed in 1981. The organization provides congregate and home delivered nutritional services, recreational activities and advocacy services to senior citizens in the Wasilla, Alaska area. The financial statements of WASI are presented on the accrual basis of accounting. The more significant accounting policies are summarized below.

Management of WASI uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that are used.

Basis of Presentation – WASI financial statements report information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Unrestricted net assets represent that portion of net assets of WASI that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Temporarily restricted net assets represent that portion of net assets of WASI whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled by actions of WASI. When the stipulated time restriction ends or action is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions. Currently, WASI does not have any temporarily restricted net assets.

Permanently restricted net assets represent the portion of net assets from contributions whose use by WASI is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of WASI. Currently, WASI does not have any permanently restricted net assets.

Basis of Accounting – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and, accordingly, reflect all significant accruals.

Under this method of accounting, revenues are recognized when earned. Liabilities and expenses are recorded when incurred. The financial statements include assets, liabilities, net assets, and financial activities for those programs for which WASI exercises fiscal and operations control.

Wasilla Area Seniors, Inc.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Public Support and Revenue – Grants: WASI receives a significant portion of its operating revenue from federal and state grants. Income from grants is recognized to the extent of allowable costs incurred. Expenses in excess of cash receipts are reflected as grants receivable in the financial statements.

Program fees are recognized at the time the services are provided by WASI. The year-end grants and Medicaid receivable balance includes amounts due to WASI from Medicaid for services rendered prior to June 30, 2011 and 2010, respectively.

Contributions: Unconditional promises to give cash and other assets to WASI are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at the fair value at the date the gift is received. The gifts are reported as either temporary or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated timer restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the Statement of Activities as net assets released from program restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements.

Cash and Cash Equivalents – For purposes of the statement of cash flows, WASI considers all demand deposits and highly liquid investments with an original maturity of three months or less to be cash equivalents.

Accounts and Grants Receivable – Receivables consist of primarily amounts due from Housing Services and Medicaid. Amounts due from granting agencies are for cost reimbursable grants not received by the year end. An allowance for collection of doubtful accounts has been established by WASI based on management's assessment of the collectability of the receivables and past historical trends. Receivables are charged off when all collection efforts have been exhausted.

Inventory – Inventory consists of unused food and supplies available for use in providing congregate and home delivered nutritional services, and is recorded at the lower of cost or fair market value on a first-in, first-out basis.

Investments in Limited Partnerships – WASI has 1% interest in several limited partnerships which provide housing to the elderly. The limited partnerships consist of Raven Tree Court, Knik Manor, Eagles Nest, Susitna Place and Alder View. WASI is the general partner and is responsible for the supervision and management of the partnerships.

Fair Value of Financial Instruments – The fair value of an asset is the amount at which the asset could be bought or sold in a current transaction between willing parties, that is, other than in a forced or liquidation sale. The fair value of a liability is the amount at which that liability could be incurred or settled in a current transaction between willing parties, that is, other than in a forced or liquidation sale. Fair values are based on quoted market prices when available.

Wasilla Area Seniors, Inc.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

The following financial instruments are recorded at fair value or at amounts that approximate fair value: (1) cash and cash equivalents, (2) receivables, net, (3) certain other current assets, (4) accounts payable and (5) other current liabilities. The carrying amounts reported on the Statement of Financial Position for the above financial instruments closely approximates their fair value due to the short-term nature of these assets and liabilities.

The recorded values of long-term debt approximates their fair values, as interest approximates market rates.

Property and Equipment – Property and equipment with an original cost exceeding \$500 is recorded at cost or, in the case of donated property, at its estimated fair value as of the date of the contribution. Depreciation is provided using the straight-line method over the estimated useful lives of the property, which range from five to forty years. Expenditures for repairs and maintenance are charged against operations as incurred.

Income Taxes – WASI is exempt from federal and state income taxes as a nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation. WASI's policy is to report interest and penalties associated with income taxes as interest expense and other expense, respectively. With few exceptions, WASI is no longer subject to examination by federal authorities before 2008.

Expense Allocation – The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities and in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates – Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates assumed in preparing the financial statements.

NOTE 2 – CASH AND CASH EQUIVALENTS/CONCENTRATION OF RISK

Financial investments that are exposed to concentrations of credit risk consist of cash and accounts receivable. WASI maintains its cash balances for operations at Matanuska Valley Federal Credit Union (MVFCU) in an interest bearing checking account and a money market account with Mutual of America, Inc. The cash balances at MVFCU are insured through the FDIC up to \$250,000 through December 31, 2010 and fully insured for non-interest bearing accounts from December 31, 2010 through December 31, 2012. At June 30, 2011 and 2010, all of WASI's cash was fully insured and collateralized.

Wasilla Area Seniors, Inc.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

NOTE 3 – MAJOR FUNDING SOURCES

For the years ended June 30, 2011 and 2010, State and Federal grants funded \$281,727 and \$877,322 of WASI's operating costs, respectively. These funds represented 21% and 44% of the total support and revenue received by WASI.

NOTE 4 – INVESTMENTS

Investments consisted of the following at June 30:

	<u>2011</u>	<u>2010</u>
Limited Partnerships	\$ <u>277,286</u>	\$ <u>277,334</u>

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	<u>2011</u>	<u>2010</u>
Building and Grounds	\$ 1,273,393	1,266,267
Equipment	743,420	740,392
Vehicles	<u>198,236</u>	<u>198,236</u>
Total property and equipment	<u>2,215,049</u>	<u>2,204,895</u>
Less: Accumulated depreciation	<u>954,376</u>	<u>801,594</u>
	\$ <u>1,260,673</u>	<u>1,403,301</u>

Depreciation expense for the years ended June 30, 2011 and June 30, 2010 was \$157,776 and \$60,224, respectively.

Wasilla Area Seniors, Inc.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

NOTE 6 – NOTES RECEIVABLE

WASI is the recipient of grants from the State of Alaska to construct low-income residential rental facilities that are rented exclusively to senior citizens. These funds as well as proceeds from other grants have been loaned to limited partnerships to enable construction of the facilities. At June 30, 2011 and 2010, notes receivable were as follows:

Note receivable from Raven Tree Court Senior Housing Limited Partnership, a related party, at 6% per annum compounded monthly; secured by a third deed of trust, principal and interest due annually, provided that such payments are made after all other obligations and debts; all principal and accrued interest is due in 2031	\$ 550,000
Note receivable from Raven Tree Court Senior Housing Limited Partnership, a related party, at 3.5% per annum compounded monthly; secured by a fourth deed of trust, interest only payments due annually, provided that such payments are made after all other obligations and debts; all principal and accrued interest is due in 2031	593,085
Note receivable from Raven Tree Court Senior Housing Limited Partnership, a related party, at 3.5% per annum compounded monthly; secured by a fifth deed of trust, interest only payments due annually, provided that such payments are made after all other obligations and debts; all principal and accrued interest is due in 2031	20,000
Note receivable from Susitna Place Senior Housing, Limited Partnership, a related party, at 1% per annum; interest only payments due annually; proceeds from the release of operating reserve accounts is to be used for principal payments against the note; all principal and accrued interest due March 10, 2028	42,100
Note receivable from Susitna Place Senior Housing, Limited Partnership, a related party, at 1% per annum; interest only payments due annually; all principal and accrued interest due March 10, 2028	798,962
Note receivable from Eagle's Nest Senior Housing, Limited Partnership, a related party, no interest due; secured by a fifth deed of trust; principal due March 19, 2033	430,000
Note receivable from Eagle's Nest Senior Housing, Limited Partnership, a related party, no interest due; secured by a fourth deed of trust; principal due March 19, 2033	25,000
Note receivable from Eagle's Nest Senior Housing, Limited Partnership, a related party, at 6% per annum; secured by a third deed of trust; all principal and accrued interest due March 19, 2033	265,000

Wasilla Area Seniors, Inc.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Note receivable from Knik Manor Senior Housing, Limited Partnership, a related party, at 1% per annum; secured by a third deed of trust; all principal and accrued interest due May 14, 2034	\$ 130,000
Note receivable from Knik Manor Senior Housing, Limited Partnership, a related party, at 4.65% per annum; secured by a fourth deed of trust; all principal and accrued interest due May 14, 2034	38,400
Note receivable from Knik Manor Senior Housing, Limited Partnership, a related party, at 6% per annum; secured by a fifth deed of trust; all principal and accrued interest due May 14, 2034	198,000
Note receivable from Alderview Senior Housing, Limited Partnership, a related party, at 1% per annum; secured by a third deed of trust; all principal and accrued interest due June 14, 2034	35,000
Note receivable from Alderview Senior Housing, Limited Partnership, a related party, at 4.68% per annum; secured by a fourth deed of trust; all principal and accrued interest due May 14, 2035	155,000
Note receivable from Alderview Senior Housing, Limited Partnership, a related party, at 1% per annum; secured by a fifth deed of trust; all principal and accrued interest due June 14, 2035	<u>465,000</u>
Total Notes Receivable	\$ <u>3,245,547</u>

NOTE 7 – RELATED PARTY TRANSACTIONS

WASI is the general partner in five limited partnerships, Knik Manor Senior Housing Limited Partnership, Eagles Nest Senior Housing Limited Partnership, Raven Tree Court Senior Housing Limited Partnership, Susitna Place Senior Housing Limited Partnership and Alderview Senior Housing Limited Partnership, which own low-income residential rental senior housing facilities in Wasilla, Alaska. At least 75% of these units are rented to senior citizens who meet federal low-income housing requirements. Accounts receivable from these partnerships consisting of developer's fees, labor reimbursements and management fees total \$53,340 and \$108,996 for the years ended June 30, 2011 and 2010, respectively. The allowance for doubtful accounts at June 30, 2011 and 2010 was \$53,900 and \$53,900.

In addition to the notes receivable balances identified in Footnote 6 above, WASI earned interest income on such notes receivable balances totaling \$75,988 and \$76,231 in 2011 and 2010, respectively. WASI also provides development oversight, administrative and maintenance services to each of the housing facilities. Revenue from such services totaled \$152,602 and \$209,119 during fiscal years 2011 and 2010, respectively.

Wasilla Area Seniors, Inc.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

In May of fiscal year 2010 WASI began contracting with Tidy Tabitha's Janitorial and Maid Service to perform janitorial services for their office, common areas and Assisted Living. Tidy Tabitha's is owned by the sister of Sondra Kaplan who was executive director for both fiscal years 2011 and 2010. Cost for the service was \$33,623 and \$7,074 during fiscal years 2011 and 2010. No material amounts were owed at the end of fiscal years 2011 and 2010.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

WASI receives grants that are subject to audit and adjustment by grantor agencies. Such an audit may result in the disallowance of costs for which grant monies had been expended. At June 30, 2011 and 2010, no such audits were pending and management does not anticipate any such liability arising that would have a material effect on the financial condition of WASI.

NOTE 9 – NOTE PAYABLE

Note payable consisted of the following at June 30:

The note payable to the United States Department of Agriculture (USDA) Rural Development Community Facilities program is due over a period not to exceed thirty-one years. Loan proceeds originally totaled \$300,000 and were used to build the administrative and kitchen facilities at Wasilla, Alaska. The loan is payable in monthly principal and interest installments of \$1,476 and bears interest at an annual rate of 4.25%. The USDA was provided a first lien on the real property. Future scheduled maturities are as follows:

	2011	2010
2011	\$ -	6,458
2012	6,738	6,738
2013	7,030	7,030
2014	7,334	7,334
2015	7,653	7,653
2016	7,984	7,984
Thereafter	224,535	224,535
	\$ <u>261,274</u>	<u>267,732</u>

NOTE 10 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 9, 2012 the date which the financial statements were available for issue. No events were identified that would require disclosure according to generally accepted accounting principles.

NOTE 11 – RECLASSIFICATION

Certain items in 2010 have been reclassified to match the 2011 presentation.

WASILLA AREA SENIORS, INC

Title III Nutrition, Transportation, Program and Support Services

Schedule of Revenue and Expenses - Budget and Actual (Grant Basis)

Year Ended June 30, 2011

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenue:			
Federal:			
Passed through the State of Alaska:			
Department of Health and Social Services	\$ 147,452	147,452	-
State of Alaska:			
Department of Health and Social Services	51,809	51,809	-
State of Alaska Passed Through			
Matanuska-Susitna Borough	12,354	12,354	-
Local Sources:			
Matanuska-Susitna Borough	5,295	5,295	-
Totem Ocean	1,000	1,000	-
Bishop's Attic	10,370	10,370	-
Evangelical Lutheran Church	2,000	2,000	-
Total revenues	<u>230,280</u>	<u>230,280</u>	<u>-</u>
Expenses:			
Personnel		208,703	
Travel		1,503	
Facility		31,264	
Supplies		126,782	
Equipment		15,831	
Other		24,899	
Total expenses	<u>408,982</u>	<u>408,982</u>	<u>-</u>
Excess (deficiency) of revenue over expenses	<u>\$ (178,702)</u>	<u>(178,702)</u>	<u>-</u>